

LCQ4: Performance and financial arrangements of Hong Kong Disneyland

Following is a reply by the Secretary for Commerce and Economic Development, Mr Frederick Ma, to a question by the Hon Fred Li in the Legislative Council today (December 19):

Question:

It is learnt that the Government is now negotiating with The Walt Disney Company about the expansion of Hong Kong Disneyland ("HKD"). In this connection, will the Government inform this Council:

- (a) of the estimated amount of funds that the Government is required to inject for the HKD expansion project, the factors to be taken into consideration in deciding whether or not to inject funds, as well as the impact on the funds injection decision if another Disneyland is confirmed to be built in Shanghai;
- (b) of the new provisions for cooperation proposed by the Government as a condition of its agreement to inject funds; how it will ensure that the injection of funds will enable this Council to monitor whether the public funds are properly used; and
- (c) whether it has constantly reviewed the position of HKD in terms of financial arrangements, profitability, expected attendances, its attractiveness to visitors and public expectation, etc., and whether HKD's current position in these areas differs significantly from the projections originally made when it decided to invest in the construction of HKD?

Reply:

Madam President,

(a) To cater for the long-term operational and development needs of the Hong Kong Disneyland, the Government and The Walt Disney Company (TWDC) have commenced discussion on the Park's expansion and financial arrangements. The Government will carefully consider the merits and demerits of various financing options, including the possibility of Government injection, and carry out preliminary feasibility assessments. The discussion is still at an initial stage and no agreement has yet been reached. As regards long-term financial arrangements, the Government will take into account a number of factors, including economic benefits to Hong Kong, appeal of the new attractions to local residents and visitors, operational efficiency and financial prospect of the

Park, and the development of other large-scale tourist attractions in the region, etc.

(b) Since the discussion between the Government and TWDC on the long-term financial arrangements of the Park is still at a preliminary stage, the Government will examine adding new provisions in the Project Agreement. Meanwhile, the Government will continue to monitor the Park's operation through the Government-appointed Directors of the Hong Kong International Theme Parks Company Ltd to ensure proper use of public resources. The Government will also update the Legislative Council Panel on Economic Development on the operation of the Park, and continue to urge the Park to enhance its transparency, having regard to the principle of commercial confidentiality.

(c) The performance of the Park in its first two years of operation is unsatisfactory. As a majority shareholder of the Park, the Government considers that the Park should improve its performance. It is essential that the Park management should critically review the operation of the Park with a view to enhancing its operational efficiency and revamping its marketing and promotion strategies. The Government has expressed its concern and impressed upon the management to pay serious attention to the key issues and strengthen its cooperation with the local travel trade to improve the performance of the Park.

Ends/Wednesday, December 19, 2007